



Director of  
Central  
Intelligence

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# National Intelligence Daily (Cable)

20 March 1982

**Top Secret**

CO NIDC 82-066C

20 March 1982

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USSR: Financing for Grain Purchases

*The USSR's cash payments problem is forcing Moscow to turn to costly short-term financing to pay for Western grain.* [redacted]

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[redacted]

//The Soviets in the past have paid cash for virtually all of their grain purchases. This year, however, they have arranged financing for about a fifth of the \$5 billion worth of grain already contracted for or actually received from Western exporters since October. They are expected to order an additional 11 million tons--worth about \$1.5 billion--by the end of September.//

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[redacted] the French Government has said that it would provide government-guaranteed credits for future sales of French grain. Moscow already has requested officially backed credits for grain purchases from Argentina. [redacted]

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Comment: Faced with its hard currency shortages, the USSR probably will continue to rely heavily on short-term Western bank credits to finance its grain bill over the next few months. Access to official French credits would save the USSR about 4 to 5 percentage points in financing transactions for French grain.

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FRANCE: Cantonal Elections

*French voters return to the polls tomorrow for the runoff round in the cantonal elections.*

//In the preliminary round last Sunday, the center and rightist parties narrowly edged out the leftists, 49.9 percent to 49.6 percent. President Mitterrand's Socialists led all parties with 29.9 percent, their best showing ever at this level but well below the 37.5 percent they won in the national election last spring. The Communists' 15.9-percent share repeated their poor showing last year.//

//Giscard forces led the center and rightist parties with 18.8 percent of the vote, followed by the Gaullists with just under 18 percent. Former President Giscard won handily.//

//The Socialists are disappointed, although they paced the field. Both they and the opposition view the cantonal elections as a referendum on Socialist policies at the national level. President Mitterrand called the first-round results a failure, even though his firm grip on power at the national level is not directly affected.//

Comment: //The slim margin of victory provides added incentive for cooperation between Gaullist and Giscard forces. For the left as a whole, the first round is being compared to the 55 percent it won in the legislative elections last June and the 52.5 percent it won in most of these same cantons in 1976, and the results will be considered a setback. The key is the drop in support for the Communists, who last week attracted 7 percent less of the vote than in 1976.//

//The left probably will fall well short of its goal of controlling a majority of the departmental council presidencies, despite the government's recent reapportionment of the cantons and the closeness of the popular vote. This would be particularly disappointing in view of the newly enacted Socialist measure giving greater powers to council presidents.//

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INTERNATIONAL: Law of the Sea Conference

//The initiative in the Law of the Sea Conference passed this week to an ad hoc group of 10 nations led by Australia, Canada, Denmark, and Norway. The conference leadership has accepted the group's offer to draft compromise proposals on seabed mining to help narrow the gap between the major industrial states and the Group of 77. Earlier the developing countries had rejected the US amendments, which would guarantee access to seabed mineral deposits and assure the US a voice in the new international authority commensurate with US economic interests. Support for the US by the UK, West Germany, France, Japan, Belgium, and Italy, who plan to sponsor corporate miners, kept the issue open.//

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Comment: //Although the creation of the 10-state group is a potentially favorable development for the US, the members may produce texts that would divide the seabed miners. The group might propose enough improvement in the seabed provisions to lure the UK, France, and Japan away from the US, West Germany, and Belgium--the severest critics of the draft convention.//

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KAMPUCHEA-VIETNAM: Anti-Communist Base Falls

Vietnamese forces on Wednesday overran Sok Sonn, the strongest anti-Communist resistance base in Kampuchea. The base was the southern headquarters of Son Sann's Khmer People's National Liberation Front. It was defended by approximately 1,600 military personnel, about 20 percent of the Front's forces. Press reports claim that several thousand civilians from Sok Sonn have fled toward the Thai border.

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Comment: The Vietnamese now may concentrate more forces against the Front's only other major base opposite the Thai village at Ban Sa Ngae, where approximately 5,000 resistance troops are located. A major battle there could involve Thai troops. The loss of Sok Sonn could cause Singapore and Malaysia to abandon plans to provide arms and other material to build up the Front as an alternative to the Democratic Kampuchean resistance forces.

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USSR-BOTSWANA: Military Aid Offer

The Deputy Commander of the Botswana Defense Force has told a US Embassy officer that the USSR has offered Botswana military equipment free of cost. He did not specify, however, the type or amount of aid. The official also expressed renewed interest in US long-range transport aircraft, helicopters, artillery, and communication equipment and hoped that a US offer for such aid might come "very soon." [REDACTED]

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Comment: //The officer may be exaggerating the offer made by the Soviets, who are not known to extend free military aid. Nonetheless, the USSR has been seeking closer relations with Botswana in the last several years. In December 1980 it sold Botswana military equipment, including armored personnel carriers. The Botswanans have rejected other Soviet offers of military and economic assistance, however, for fear of incurring South African displeasure and may reject this one.// [REDACTED]

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SPECIAL ANALYSIS

INTERNATIONAL: Reactions to Mexican Peace Plan

*//President Lopez Portillo's peace plan for Central America has elicited a positive reaction in Western Europe and the USSR. The few Latin American official responses also are mainly favorable, with El Salvador the notable exception.//*

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The plan for easing regional tensions, which was outlined in a speech by the Mexican President last month in Managua, seeks to promote a US-Cuban dialogue, an improvement in relations between Nicaragua and the US, and a negotiated settlement in El Salvador. His proposals concentrate on Nicaragua, calling for US renunciation of the use of force there and for curbing anti-Sandinista elements based in Honduras and the US.

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In return, the Sandinistas would reduce their armed forces and weapons inventory. These arrangements would be confirmed through nonaggression pacts among Nicaragua, its neighbors, and the US. Mexican Foreign Secretary Castaneda has subsequently added that Managua also should cease aiding insurgents in Central America.

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In Central America, reactions to the plan are mixed and limited. Salvadoran President Duarte implies that it is naive to expect Marxist revolutionaries to act in good faith and to believe that Mexico has leverage over such groups. Duarte rules out negotiations with the insurgents but still calls for a dialogue that would lead to a cease-fire and an amnesty for those guerrillas who accept the democratic process.

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A member of Nicaragua's junta yesterday indicated that his government supports Lopez Portillo's proposal. The government-owned TV network on Wednesday reported that the meetings between Secretary of State Haig and Castaneda apparently resulted in a new US willingness to negotiate if Nicaragua would sign nonaggression agreements in exchange for a cessation of US support for anti-Sandinista operations.

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The Sandinistas, however, believe that their own five-point proposal made in February was a major peace

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offering. It proposed nonaggression and mutual security agreements with Honduras and Costa Rica but did not mention limiting the military buildup or aid to the Salvadoran insurgents. Moreover, Sandinista leaders were distressed by Lopez Portillo's mention of Nicaraguan arms reduction in his speech. [REDACTED]

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//Costa Rica's generally favorable reaction to the Mexican plan reflects its alarm over Nicaragua's military buildup and concern that conflict will spill across its borders. President-elect Monge also apparently worries that a rightist electoral victory in El Salvador would strengthen the insurgents and ultimately force US intervention. He appears to see a solution in El Salvador as central to preventing East-West conflict in the region and has asserted that postelection negotiations between the new government and the insurgents are imperative.//

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In the Caribbean, the Jamaican Government is likely to share the US position. Although Dominican President Guzman probably will also support US policy, most members of his party will back the Mexican plan. Grenada has publicly supported the plan, and Suriname's self-proclaimed revolutionary leaders are likely to adopt the same posture. [REDACTED]

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#### Cuban and Soviet Reactions

Lopez Portillo's speech received Havana's supreme stamp of approval--publication in full the following day in the Communist party's daily newspaper. President Castro's message of congratulation to Lopez Portillo pledged cooperation in bringing peace to the region but offered no specifics. Instead, it put conditions on Cuba's participation that Castro knows would be unacceptable to the US. [REDACTED]

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Castro's warm treatment of the initiative is designed primarily to obtain maximum propaganda mileage. Havana probably also sees it as a useful way to buy time for the Sandinistas to consolidate their rule and for other insurgents in the region to mobilize world public opinion against US involvement. [REDACTED]

The USSR quickly welcomed Lopez Portillo's "sensible proposals," but it has recently become more cautious, partly because of misgivings about restricting Nicaragua's military buildup. Nonetheless, the Soviets hope to woo Mexico by taking a generally favorable attitude. [REDACTED]

The Soviets are carefully supporting only certain ideas in the proposals, but they are using them to contrast their advocacy of peace in Central America with US reluctance to accept the Mexican package. Moscow probably believes that the proposals would restrict Washington's actions and would stimulate a domestic debate in the US over possible settlement terms. [REDACTED]

#### West European Attitudes

//The plan is drawing wide support from both conservatives and socialists in Western Europe. They believe that Mexico, with its regional power and foreign policy independence, is especially well placed to lead a mediation effort.// [REDACTED]

//President Mitterrand endorses the initiative, arguing that the current tension has to be reduced through negotiations between the US and Nicaragua. France also believes that it has a special relationship with Mexico.// [REDACTED]

[REDACTED]

Moderate British Labor Party leader Denis Healey has introduced a parliamentary resolution supporting the proposal. [REDACTED]

[REDACTED]

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